CROCODILE

Crocodile Garments Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 122)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JANUARY 2016

RESULTS

The board of directors ("**Directors**" and "**Board**", respectively) of Crocodile Garments Limited ("**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively "**Group**") for the six months ended 31 January 2016 together with the comparative figures of the last corresponding period as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31 January 2016

		Six months ended 31 January	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**168,221**	218,289
Cost of sales		**(71,815)**	(85,166)
Gross profit		**96,406**	133,123
Fair value gains on investment properties		**41,631**	65,645
Other income	*4*	**20,811**	26,728
Selling and distribution expenses		**(106,988)**	(138,326)
Administrative expenses		**(30,316)**	(28,291)
Other operating expenses, net		**(1,004)**	(3,770)
Finance costs	*5*	**(5,947)**	(5,516)
Share of profit from an associate		**2,664**	2,148
Profit before tax	*6*	**17,257**	51,741
Income tax expense	*7*	**(1,718)**	(1,515)
Profit for the period attributable to owners of the Company		**15,539**	50,226
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(10,179)**	(3,221)
Total comprehensive income for the period attributable to owners of the Company		**5,360**	47,005
		HK cents	*HK cents*
Earnings per share	*9*		
— Basic		**1.64**	5.37
— Diluted		**1.64**	5.36

Condensed Consolidated Statement of Financial Position
As at 31 January 2016

	Notes	31 January 2016 (Unaudited) HK$'000	31 July 2015 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**144,573**	154,667
Investment properties		**1,635,197**	1,595,050
Land lease prepayments		**13,597**	14,578
Interest in an associate		**42,018**	39,065
Rental and utility deposits		**12,889**	11,131
Deposits for land lease prepayments		**16,310**	17,278
Available-for-sale financial asset		**27,614**	26,366
		1,892,198	1,858,135
Current assets			
Inventories		**101,816**	102,407
Trade and other receivables, deposits and prepayments	*10*	**78,903**	85,552
Amounts due from related companies		**219**	—
Financial assets at fair value through profit and loss		**132,183**	141,540
Pledged bank deposits		**1,133**	1,819
Bank balances and cash		**110,657**	72,143
		424,911	403,461
Current liabilities			
Bank borrowings	*11*	**533,340**	495,241
Margin loans payable		**20,998**	21,824
Trade and other payables and deposits received	*12*	**82,617**	69,355
Perpetual loan		**15,000**	15,000
Amounts due to related companies		**41,210**	42,991
Tax payable		**20,611**	21,834
		713,776	666,245
Net current liabilities		**(288,865)**	(262,784)
Total assets less current liabilities		**1,603,333**	1,595,351
Non-current liabilities			
Bank borrowings	*11*	**24,754**	26,047
Provision for long service payments		**3,441**	2,774
Deferred tax liabilities		**7,461**	5,744
		35,656	34,565
Net assets		**1,567,677**	1,560,786
Capital and reserves			
Share capital		**332,323**	330,214
Reserves		**1,235,354**	1,230,572
Total equity		**1,567,677**	1,560,786

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 January 2016

(1) BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated interim financial statements also comply with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**") and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

These financial statements have been prepared under the historical cost convention, except for the investment properties and certain financial instruments which have been measured at fair value.

These financial statements are presented in Hong Kong dollars ("**HK$**") except otherwise indicated.

In preparing the consolidated financial statements of the Company, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$288,865,000 as at 31 January 2016.

In the opinion of the Directors, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration that the Group is able to renew banking facilities from various banks in full upon their maturity for the operation requirements of the Group based on the fair value of the related investment properties being pledged as security for the banking facilities, the past history of renewal and the good relationships of the Group with the banks.

Based on the aforesaid factors, the Directors are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the Directors consider it appropriate to prepare the consolidated financial statements on a going concern basis.

The financial information relating to the year ended 31 July 2015 that is included in the condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 July 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's independent auditor has reported on those financial statements. The independent auditor's report was unqualified; did not include a reference to any matters to which the independent auditor drew attention by way of emphasis of matter without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(2) PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 July 2015.

New or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 — 2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
4 No mandatory effective date yet determined.

Other than HKFRS 15, the Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

(3) SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided and nature of operations.

The Group has three operating segments, namely i) garment and related accessories business, ii) property investment and letting business, and iii) trading of securities, of which the former two are also reportable segments. The operating segments are managed separately as each business offers different products and services and requires different business strategies.

(3) SEGMENT INFORMATION *(continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 31 January

	Garment and related accessories business		Property investment and letting business		Others		Total	
	2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*	**2016 (Unaudited) *HK$'000***	2015 (Unaudited) *HK$'000*	**2016 (Unaudited) *HK$'000***	2015 (Unaudited) *HK$'000*	**2016 (Unaudited) *HK$'000***	2015 (Unaudited) *HK$'000*
Revenue from external customers	**142,097**	193,104	**26,124**	25,185	**—**	—	**168,221**	218,289
Other income from external customers	**22,881**	26,797	**780**	589	**(3,069)**	(831)	**20,592**	26,555
Group's total revenue and other income	**164,978**	219,901	**26,904**	25,774	**(3,069)**	(831)	**188,813**	244,844
Reportable segment (loss)/profit	**(23,239)**	(14,787)	**68,660**	90,210	**(3,069)**	(831)	**42,352**	74,592
Unallocated corporate income							**219**	173
Unallocated corporate expenses							**(19,367)**	(17,508)
Finance costs							**(5,947)**	(5,516)
Profit before tax							**17,257**	51,741

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment (loss)/profit represents the (loss from)/profit earned by each segment without allocation of bank interest income, finance costs and corporate expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(4) OTHER INCOME

	Six months ended 31 January	
	2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*
Royalty income	**22,673**	26,635
Bank interest income	**219**	173
Interest income on amount due from an associate	**289**	275
Net loss on financial assets at fair value through profit and loss	**(3,069)**	(831)
Others	**699**	476
	20,811	26,728

(5) FINANCE COSTS

	Six months ended 31 January 2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*
Interest on:		
Bank borrowings		
— wholly repayable within five years	**4,658**	4,107
— not wholly repayable within five years	**309**	342
Amount due to a related company	**980**	1,067
	5,947	5,516

(6) PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

	Six months ended 31 January 2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*
Depreciation of property, plant and equipment	**7,728**	8,271
Amortisation of land lease prepayments (included in administrative expenses)	**169**	176
Cost of inventories recognised as an expense (including provision for slow-moving inventories of HK$4,711,000 (2015: HK$1,210,000))	**71,527**	84,897

(7) INCOME TAX EXPENSE

	Six months ended 31 January 2016 (Unaudited) *HK$'000*	2015 (Unaudited) *HK$'000*
Current tax	**—**	—
Deferred tax	**1,718**	1,515
Income tax expense	**1,718**	1,515

No current Hong Kong Profits Tax has been provided for the six months ended 31 January 2016 (2015: Nil) as the Group either has unused tax loss available to offset against assessable profits or there was no estimated assessable profit for the period.

Under the Law of the People's Republic of China ("**PRC**") on Enterprise Income Tax ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% from 1 January 2008 onwards. No PRC enterprise income tax has been provided for the six months ended 31 January 2016 and 31 January 2015 as the Group did not have assessable profit in the PRC.

(8) DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 January 2016. The Directors do not recommend the payment of an interim dividend (six months ended 31 January 2015: Nil).

(9) EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the period is based on the following data:

	Six months ended 31 January	
	2016	2015
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share (HK$'000)	**15,539**	50,226
Number of shares		
Weighted average number of ordinary shares (2015: Number of ordinary shares) for the purposes of basic earnings per share	**947,142,608**	935,743,695
Effect of dilutive potential ordinary shares: Share options	**73,276**	945,538
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**947,215,884**	936,689,233

(10) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	31 January 2016	31 July 2015
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**18,740**	17,652
Less: Allowance for doubtful debts	**(8,674)**	(8,562)
	10,066	9,090
Other receivables	**67,095**	64,908
Less: Allowance for doubtful debts	**(19,460)**	(20,613)
	47,635	44,295
Deposits and prepayments	**34,091**	43,298
	91,792	96,683
Less: Rental and utility deposits shown under non-current assets	**(12,889)**	(11,131)
	78,903	85,552

(10) TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

(i) Other than cash sales made at retail outlets of the Group, trading terms with wholesale customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well-established customers, where the term is extended to 90 days. Each customer has been set with a maximum credit limit. The Group does not hold any collateral over these balances.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

(ii) The following is an aging analysis of trade receivables (net of allowance for doubtful debts), presented based on the invoice date which approximated the respective revenue recognition date as at the end of the reporting period:

	31 January 2016 (Unaudited) ***HK$'000***	31 July 2015 (Audited) *HK$'000*
Trade receivables:		
0 to 90 days	**7,499**	8,540
91 to 180 days	**1,541**	332
181 to 365 days	**1,026**	218
	10,066	9,090

(11) BANK BORROWINGS

	31 January 2016 (Unaudited) ***HK$'000***	31 July 2015 (Audited) *HK$'000*
Bank loans, secured	**540,329**	506,594
Trust receipt loans, secured	**17,765**	14,694
	558,094	521,288
Carrying amount repayable:		
Within one year	**533,340**	495,241
Beyond one year, but not exceeding two years	**2,630**	2,603
Beyond two years, but not exceeding five years	**8,227**	8,141
Beyond five years	**13,897**	15,303
	558,094	521,288
Less: Amounts shown under current liabilities	**(533,340)**	(495,241)
Amounts shown under non-current liabilities	**24,754**	26,047

During the current reporting period and the last reporting year ended 31 July 2015, in respect of a bank loan with carrying amounts of approximately HK$433,686,000 as at 31 January 2016 and HK$423,088,000 as at 31 July 2015, respectively ("**Bank Loan**"), the Group complied with the terms of the Bank Loan except possibly for certain terms, which are primarily related to the current ratio and quick ratio of the Group. In view of the possible exceptions above, the Directors had informed the banker and commenced a renegotiation of the terms of the Bank Loan with the banker since last year.

Up to the date of approval for issuance of the consolidated financial statements for the current reporting period, the banker confirmed their expectation as last year that in the absence of any unforeseen circumstances, they expected the corresponding banking facilities shall continue to be made available to the Group up to 31 March 2017. However, since the Bank Loan technically falls due within one year in accordance with the terms of the Bank Loan, the Bank Loan has been classified as current liability as at 31 January 2016.

(12) TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The following is an aging analysis of trade payables as at the end of the reporting period, based on the date of receipt of goods, and the details of balances of advance from customers, deposits received, other payable and accruals:

	31 January 2016 (Unaudited) *HK$'000*	31 July 2015 (Audited) *HK$'000*
Trade payables:		
0 to 90 days	**20,932**	10,966
91 to 180 days	**3,408**	1,163
181 to 365 days	**1,744**	1,998
Over 365 days	**1,818**	928
	27,902	15,055
Advance from customers	**6,520**	7,171
Deposits received	**17,107**	12,681
Other payables and accruals	**31,088**	34,448
	82,617	69,355

The credit period for purchase of goods is between 30 and 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

INTERIM DIVIDEND

The Board has resolved not to pay an interim dividend for the six months ended 31 January 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

During the period under review, the revenue of the Group was HK$168,221,000 (2015: HK$218,289,000), representing a decline of 23%. Gross profit of the Group decreased by 28% to HK$96,406,000 (2015: HK$133,123,000).

The business conditions of the "Garment and Related Accessories Business" segment of the Group were glacial for the six months ended 31 January 2016. The lacklustre economic environments in Hong Kong and the Mainland of China ("**Mainland**"), coupled with the abnormal warm weather during the Christmas and New Year period, clobbered the spending of customers, especially on the high ended merchandise. The revenue shed by 26% to HK$142,097,000 and the segment loss was HK$23,239,000.

The "Property Investment and Letting Business" segment generated a rental income of HK$26,124,000 for the six months ended 31 January 2016 (2015: HK$25,185,000). In the flagging property market, the fair value gains on investment properties as at 31 January 2016 drooped by 37% to HK$41,631,000 (2015: HK$65,645,000).

Combining the results of the two business segments above with the share of profit of an associate of HK$2,664,000 (2015: HK$2,148,000) and the exchange loss arising on translation of foreign operations of HK$10,179,000 (2015: HK$3,221,000), the total comprehensive income attributable to the owners of the Company was HK$5,360,000 for the six months ended 31 January 2016 (2015: HK$47,005,000).

Operations in Hong Kong and Macau

The woes of the "Garment and Related Accessories Business" segment were lingering in the six months ended 31 January 2016. The loss of Hong Kong and overseas consumers to the nearby regions e.g. Japan, South Korea and Taiwan caused by the relatively "expensive" Hong Kong currency was detrimental to the general retail market in Hong Kong and Macau. The garment sector was further worsened by the wired warm weather during the Christmas and New Year period, despite the cold snap near the end of January 2016 provided a brief respite. To temper the above negative factors, the Group had negotiated with the landlords of its shops for rental concession but the result was not fruitful. The Group would continue to improve its merchandise mix and restructure the shop portfolio for enhancing the sales network productivity. The Group operated 22 shops for Crocodile line (2015: 19) and 7 shops for Lacoste line (2015: 6) as at 31 January 2016.

For the period under review, the "Property Investment and Letting Business" segment generated rental revenue of HK$26,124,000 (2015: HK$25,185,000) and the fair value gains on investment properties were HK$41,631,000 as at 31 January 2016 (2015: HK$65,645,000).

Operations in the Mainland

The “Garment and Related Accessories Business” segment was floundering around in the difficult ambience of the Mainland. The economy of the Mainland was deteriorating at an unexpected pace. The relentless fall in the stock market and the worry of capital outflow withered the market sentiment. The fast-growing popularity of online sales platforms had buffeted the Group’s brick-and-mortar operating model. To relieve the pressure on the performance, the Group would orchestrate its overall sales channel and implement stringent control on operating and administrative expenditures. As at 31 January 2016, there were a total of 63 shops in the Mainland (2015: 102), including self-operated shops of 20 (2015: 30) and those operated by the Group’s franchisees of 43 (2015: 72).

Benefitted from the prestige image “Crocodile” in the apparel industry, the royalty fees from licensees remained to be the major source of other income. For the six months ended 31 January 2016, the royalty income was HK$22,673,000 (2015: HK$26,635,000).

Prospects

The global economy is facing an unprecedented volatility with focus on 3Cs, namely “Commodities, Currency and China (the Mainland)”.

The plunges in prices of commodities stoke up the fear of recession in many parts of the world. Sharing the concerns, the central banks of Japan and Eurozone have rolled out additional easing policies after market rout. In contrast, the Federal Reserve of the United States has so far just adjusted the pace that it will gradually raise interest rates twice instead of four times this year even though the Federal Fund rate futures have priced in barely one hike this year.

The above divergence in monetary policies among the large advanced economies threw the worldwide money flow into turmoil and resulted in awful fluctuations in currencies.

The recent poor trade data of the Mainland suggests weakening of the underlying momentum in trade growth, which reflects prolonged sluggishness in both export and fixed asset investment in the world’s second largest economy.

Being an externally oriented economy and closely-linked with the Mainland, Hong Kong is vulnerable to the performances of overseas merchandise trade and the Mainland; besides further aggravated by the self-inflicted internal social chaos. Under the above foreboding business conditions, the operations of the Group’s “Garment and Related Accessories Business” and “Property Investment and Letting Business” segments in Hong Kong and the Mainland are confronting hefty headwind.

Facing the forthcoming challenges, the Group will continue to enhance the value of “Crocodile” brand and restructure the sales network and supply chain. The Group remains vigilant at all times of financial management and considers various means of fortifying its capital base.

On the other hand, attention is drawn to the Company’s announcement dated 29 January 2016 made pursuant to Rule 3.7 of The Code on Takeovers and Mergers (“**Takeovers Code**”), Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (“**January Announcement**”); and the announcements made pursuant to Rule 3.7 of the Takeovers Code dated 29 February 2016 and 29 March 2016. As disclosed therein, among others, further announcement(s) will be made by the Company regarding the Possible Transaction (as defined in the January Announcement) on monthly basis and, as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

Contingent Liabilities

As at 31 January 2016, the Group had no material contingent liabilities.

Liquidity, Financial Resources, Foreign Exchange Risk Exposure, Gearing, Charges on Assets and Capital Commitments

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The main objective is to utilize the funding efficiently and to manage the financial risks effectively.

The Group maintains a conservative approach in treasury management by constantly monitoring its interest rates and foreign exchange exposure. Except for financial assets at fair value through profit or loss, available for sale financial assets, letters of credit and trust receipt loans, the Group has not employed other financial instruments for the six months ended 31 January 2016.

The Group mainly earns revenue and incurs cost in Hong Kong dollars, Renminbi and United States dollars. The Group considers the impact of foreign exchange risks is not significant as the Group will consider the foreign exchange effect of the terms of purchase and sale contracts dealt with foreign enterprises and will not bear unforeseeable foreign currency exchange risks.

Cash and cash equivalents held by the Group amounted to HK$110,657,000 as at 31 January 2016 (31 July 2015: HK$72,143,000) and were mainly denominated in Hong Kong dollars and Renminbi. The pledged bank deposits of approximately HK$1,133,000 (2015: HK$1,819,000) represent deposits pledged to banks to secure margin loans and are therefore classified as current assets. The cash and cash equivalent denominated in Renminbi as at 31 January 2016 were equivalent to HK$39,094,000 (31 July 2015: HK$39,857,000) which is not freely convertible into other currencies. However, under the Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies in respect of approved transactions through banks authorized to conduct foreign exchange business.

As at 31 January 2016, the total outstanding borrowings including margin loans of the Group amounted to HK$579,092,000. The total outstanding borrowings comprised secured short-term bank trust receipt loans of HK$17,765,000, secured bank mortgage loan of HK$27,329,000, secured margin loans of HK$20,998,000, secured long-term bank loan of HK$267,000,000 and secured short-term bank revolving loans of HK$246,000,000. Short-term bank loans were repayable within a period not exceeding one year. The secured bank mortgage loan above was repayable by instalments with its current portion of HK$2,575,000 repayable within one year and long-term portion of HK$24,754,000 repayable in the second to twelfth years.

Interest on bank borrowings is charged at floating rates. All the bank borrowings of the Group are denominated in Hong Kong dollars. No financial instruments for hedging purposes were employed by the Group for the six months ended 31 January 2016.

As at 31 January 2016, the Group had mortgaged certain of its investment properties with carrying values of HK$1,572,500,000 and created floating charges on its certain assets to its bankers to secure banking facilities granted to the Group.

The Group's gearing revealed by the debt to equity ratio as at 31 January 2016 was 36.9%, expressed as a percentage of total bank borrowings and margin loans payable to total net assets. In view of the possible increase in interest rates in Hong Kong, the Group will actively consider any fund-raising means in order to keep its gearing at a reasonable level for controlling its interest expenses while further developing its business.

As at 31 January 2016, the Group had the capital commitments, contracted but not provided for, in respect of the land lease payments in the Mainland of HK$4,078,000; acquisition and construction of property, plant and equipment in the Mainland of HK$2,124,000 and acquisition of available-for-sale financial asset of HK$3,586,000.

Major Investments, Acquisitions and Disposals

The Group had no significant investments, material acquisitions or disposals during the six months ended 31 January 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 January 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all applicable code provisions set out from time to time in the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Listing Rules throughout the six months ended 31 January 2016 save for the deviations from code provisions A.2.1, A.4.1 and A.5.1 as follows:

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

In view of the present composition of the Board, the in-depth knowledge of the Chairman (who is also the Chief Executive Officer) of the Company's operations and the garment and fashion industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Dr. Lam Kin Ming to assume the roles of both the Chairman and the Chief Executive Officer.

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive Directors ("**NEDs**", including the independent non-executive Directors, "**INEDs**") is appointed for a specific term. However, all Directors are subject to the retirement provisions of the Articles of Association of the Company, which require that the Directors for the time being shall retire from office by rotation once every three years since their last election by shareholders of the Company ("**Shareholders**") and the retiring Directors are eligible for re-election. In addition, any person appointed by the Board (including a NED) will hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and will then be eligible for re-election. Further, in line with the relevant code provision of the CG Code, each of the Directors appointed to fill a casual vacancy has been/will be subject to election by the Shareholders at the first general meeting after his/her appointment. In view of these, the Board considers that such requirements are sufficient to meet the underlying objective of the said code provision A.4.1 and therefore, does not intend to take any remedial steps in this regard.

Under code provision A.5.1 of the CG Code, a nomination committee comprising a majority of the independent non-executive directors should be established and chaired by the chairman of the board or an independent non-executive director.

The Company has not established a nomination committee whose functions are assumed by the full Board. Potential new Directors will be recruited based on their knowledge, skills, experience and expertise and the requirements of the Company at the relevant time and candidates for the INEDs must meet the independence criterion. The process of identifying and selecting appropriate candidates for consideration and approval by the Board has been, and will continue to be, carried out by the Executive Directors. As the above selection and nomination policies and procedures have already been in place and the other duties of the nomination committee as set out in the CG Code have long been performed by the full Board effectively, the Board does not consider it necessary to establish a nomination committee at the current stage.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company currently comprises three INEDs, namely Messrs. Leung Shu Yin, William (Chairman), Chow Bing Chiu and Yeung Sui Sang. The Audit Committee has reviewed with the management the unaudited interim results (including the unaudited condensed consolidated interim financial statements) of the Company for the six months ended 31 January 2016, the accounting principles and practices adopted by the Company, and the internal control and financial reporting matters.

By Order of the Board
Crocodile Garments Limited
Lam Kin Ming
Chairman and Chief Executive Officer

Hong Kong, 29 March 2016

As at the date of this announcement, the Board comprises five Executive Directors, namely Dr. Lam Kin Ming (Chairman and Chief Executive Officer), Ms. Lam Wai Shan, Vanessa (Deputy Chief Executive Officer), Dr. Lam Kin Ngok, Peter, Mr. Lam Kin Hong, Matthew and Mr. Wan Edward Yee Hwa; one Non-executive Director, namely Ms. Lam Suk Ying, Diana; and three Independent Non-executive Directors, namely Messrs. Chow Bing Chiu, Leung Shu Yin, William and Yeung Sui Sang.